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18 SEP 1978

27 FEB 1958

MEMORANDUM FOR: Director of Personnel

SUBJECT : Account Classification for Dividends
Received by Government Employees'
Health Association, Inc.

REFERENCES :

- a. Report of Audit of Government Employees Health Association, Inc., 1 June 1956 - 31 May 1957.
- b. Memorandum from Deputy Comptroller to your Office dated 23 October 1957, on the subject, "Review of Bookkeeping System used by Insurance Branch of BCD".

1. We note that paragraph 10d of reference a. recommends the establishment of a trust liability account for dividends which have been received by GEHA from UBLIC.

2. The accounting treatment initially followed by GEHA conforms with the present provisions of the Chart of Accounts which was revised to provide an accounting treatment for dividends received subsequent to the date of the audit; the provisions of the Chart of Accounts in this respect were not available to the Audit Staff at the time of the audit. We believe the present accounting treatment should remain unchanged until such time as firm conclusions are reached as to the ultimate disposition of dividends received. In the circumstances, however, we believe that a portion of Earned Surplus equal to dividends received should be considered as "reserved", even though no book entries are recorded to designate such a reservation. We have informed the Audit Staff that at such time as the Board of Directors of GEHA adopts a policy for the disposition of insurance dividends, as commented on in paragraph 7 of reference a., the Technical Accounting Staff will review the GEHA Chart of Accounts and make any formal changes therein which may be required to provide an accounting treatment for dividends consistent with such policy determination.

3. It will be appreciated, therefore, if you will inform this Office when the Board of Directors of GEHA resolves

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the policy question concerning the disposition of dividends received in order that consideration may be given at that time to any changes which may be considered necessary in the GEHA Chart of Accounts.


4. The Audit Staff is in agreement with this memorandum.



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E. R. SAUNDERS
Comptroller

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TAS/HNL/mlc(7 February 1958)

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